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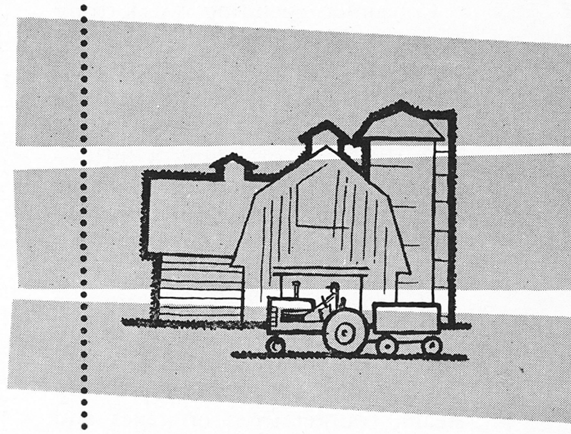
Farm Outlook for 1958

Iowa Farm Science Editorial Board



Farm Outlook for 1958

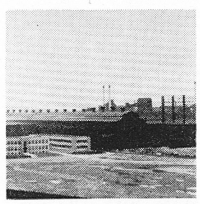
Marketings of farm products will be somewhat larger in 1958 than in 1957. So total cash income should be up a little. But another rise in farm costs will probably cancel out most of the increase.

AS THE general economy enters 1958, it's essentially in a "sidewise" movement. There's no strong general trend either up or down. And the individual items making up the economy are mixed. Some are rising; some are steady; some are falling.

Under the circumstances, the most likely farm outlook for the coming year is a demand for farm products about the same as in the year just ended. (But this is by no means certain. There definitely is risk on the demand side this year.)

A sidewise movement is likely to bring some rise in unemployment. But a big downturn would require a spreading of the slump to all sections of the economy. This doesn't seem imminent at present.

Economic growth during 1957 was relatively small. The Gross National Product—the value of all goods and services produced—rose by about 20 billion dollars. But most of the gain was the result of increased prices. Real output was up somewhere around 1½ to 2 percent—in contrast to a 3-percent boost in the previous year. (A 3-percent rise in real output is considered normal economic growth.)



Business

The current "hesitation" in business is largely the result of a downturn in the "producer-durable-goods" industries—that is, the industries which produce factory machinery and equipment. This industry started to fall off in the latter part of 1957. Further drops are expected in 1958.

The downturn in factory machinery and equipment stems from the rapid expansion of spending for this purpose in the last several years. We now have our total factory capacity built up to the point where many companies are going to let things ride for awhile until orders catch up with their capacity.

On the other hand, house building has been lagging for the last 2 years. Now it shows signs of coming out of the doldrums. Some upturn is likely in 1958; the departments of Commerce and Labor expect an 8-percent advance. More rental units are expected to go up as well as private homes.

Most other construction is expected to hold steady. Industrial construction is expected to drop, however, along with the drop in spending for factory equipment.

Meanwhile, the rise in business inventories is slowing down. Overextended inventories were the big cause of the 1954 recession. Inventories aren't likely to change much in 1958 since they aren't out of line with sales.

On the other hand, government buying of goods and services is likely to expand. Sputnik has forced a reappraisal of the national security budget. (Nondefense items may be cut some in 1958, however.) And state and local government expansion of spending has not yet run its course. Some further rise is likely. Thus, government in total is a force on the up side in the coming year.

But the increases in spending for housing and by the government aren't enough to offset the drop in "producer durable goods." So the biggest uncertainty in 1958 is what consumers will do. In the 1954 recession, consumers held up their spending. In fact, they increased buying. This was accomplished by an increase in consumer credit, a drop in the rate of saving and a tax cut.

Consumer spending was strong in 1957. Though the rate of saving out of current income is lower than a year ago, it's still well above what it was in 1955. If consumers cut back their rate of saving a little—along with the increase in wage rates scheduled for 1958—the result could be no downturn of consequence this year.

If consumers don't take up the slack, however, then a mild downturn is in prospect for 1958. If the downturn drags on or picks up steam, counteraction on taxes and fiscal measures by the government should be able to prevent a prolonged or severe contraction.

But the odds are that any downturn won't be severe enough to greatly affect demand for most farm products.

So-called "luxury items" will be affected most. Demand for appliances may also slip a bit. Best bet, therefore, is for demand for farm products to be about the same in 1958 as in 1957. The premium of prime beef over choice could be affected, however, if the amount of dining out at "fancy places" slips. This is in contrast to a year ago when the improved demand for farm products was a factor in the rising cattle and hog prices of the spring of 1957.

Farm Exports . . .

Shipments of farm products abroad the past year set a new high of 4.7 billion dollars. Prospects in the current year are not quite so good. A drop of around 15 percent—to about 4 billion dollars—is expected. The prospective drop will come mainly in wheat, cotton and rice. Shipments of these three were unusually large last year.

Cotton, for example, benefited from a new export program along with deferred demand on the part of foreign buyers—who had held back in anticipation of the lower prices of the new program. There will be no such backed-up demand to help the current export of cotton.

Wheat harvest was poor in Europe in 1956. So more wheat was imported by countries in that area. Crops there were good in 1957. Special export programs pushed rice shipments last year.

Also, some foreign countries don't have as large a dollar exchange this year. This will cause some cutback in buying of farm products.

Exports of soybeans and feed grains, meanwhile, should be larger than in the past year—but not enough to offset the smaller shipments of rice, cotton and wheat.

The effect of the reduced exports on farm prices, however, will not be appreciable. The large 1957 shipments were made mainly out of government stocks. The main effect during the past year, therefore, was to reduce government stocks rather than to boost farm prices. The cutback in 1957-58, likewise, will be mainly out of government stocks.

Income and Costs

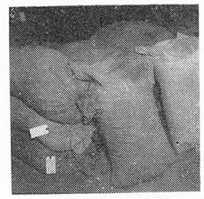
Farm marketings will be a little larger in 1958 than in 1957. Thus, total cash income for the nation may be up a bit, too. But higher costs are expected to cancel out most or all of the increase.

Farmers who were burned out by the 1956 drouth will do better, however, as individuals. They'll have a substantial rise in marketings —enough to more than offset the rising costs. This is the situation of many farmers in central and western Iowa.

Costs of things farmers buy have been rising for the past 2 years. Costs averaged 4 percent higher in 1957 than in 1956. Since 1947-49, costs have gone up about a fifth.

Present indications are that costs will rise again in 1958. But the rise likely will be less than in 1957. Price tags of factory-produced items used in farming aren't expected to go up as much as in the last 2 years. There'll be some rise in items made of steel. Wages and taxes are likely to go up. Feeder cattle will average higher, too, than in 1957—unless we have a drouth.

On the other hand, feed costs will be the same to lower. Many of the grass and legume seeds will cost less, too.



Feed Grains

Corn, barley and grain sorghum supplies are at record levels. Price supports are lower than in 1956. And corn moisture is high. The net result: lower feed prices.

Despite the unfavorable 1957 fall harvesting weather, we have feed almost running out of our ears. The moisture condition of much of the 1957 large corn and grain sorghum production is such that it will have to be fed—or dried artificially —before warm weather sets in. This puts pressure on prices.

We could see a very "soft" corn market late this winter and spring when this off-quality corn moves. Then, prices could stiffen again after the distress corn moves.

But with the USDA planning to sell even more CCC corn than in 1957 and with some artificially dried 1957 corn available, no strong summer price advance seems likely, unless the 1958 growing season is poor.

There's less cottonseed meal available than a year ago. But this is more than offset by the larger soybean crop. So protein feeds should remain relatively cheap.

The longer-range feed-grain outlook is this: How much longer can we keep the build-up in feed grain supplies from spilling over into increased livestock production? Carryover of all feed grains next fall will be up another 8 million tons or so! This can't go on! *Either* we'll have to find some effective way to hold feed grain production in check, *or* we'll wind up with large supplies of livestock and lower livestock prices.

Meat . . .

Livestock slaughter and meat output in 1957 dropped about 3 percent from 1956. And with more people to eat this smaller supply of meat, consumption per person slumped to 159 pounds, compared with the record of 166 pounds in 1956.

This 7-pound-per-person drop gave a strong upward push to 1957 hog and cattle prices. It was helped along by stronger buying power. (It's significant, however, that the 1957 supply of meat per person still ranked as third largest since 1907.)

Last year's cutback in meat was divided equally between beef and pork. The drop in pork came in the first half of the year; the drop in beef in the second half.

Looking ahead in 1958, prospects are for larger pig crops. This will push pork supplies up. But supplies per person during the first half of 1958 won't be up sizably. The main boost will come in the second half of the year when the larger 1958 spring pig crop moves to market.

Total 1958 beef and veal supplies will be lower—assuming no major drouth or business recession. Cattle numbers are lower than a year ago. And with lots of feed and stiffening prices of grass cattle, there's incentive to hold back numbers. This will be only partly offset by feeding cattle to heavier weights. There won't be much change in lamb and mutton consumption.

So the combined supply of meat per person in 1958 probably will be slightly smaller than in 1957—probably around a pound less. More pork; but less beef and veal.

Hogs

Hog production began to turn upward in the fall of 1957. Early indications were for a 10-percent-higher 1958 spring pig crop. Main boost probably will be in the late spring pigs. First reports of intentions of winter and early spring pigs pointed to a 7-percent boost.

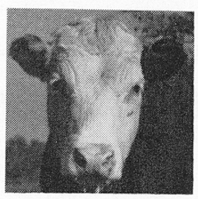
Cheap corn—with lots of moisture in it—along with strong hog prices gave a very favorable hog-corn ratio during the breeding season of late 1957.

Hog slaughter during the first 4 or 5 months of 1958 will be only slightly larger than a year ago. Thus, hog prices should be nearly as high as last year at that time.

But the 1958 spring pig crop will be substantially larger. This means increasing hog slaughter during summer and fall. Hog prices normally don't show late summer strength in years when hog production is increasing. Thus, chances are that the price peak will come earlier in the year than the August top of 1957.

Late summer and early fall will see the start of the fall price downturn. This downturn probably will be sharper than a year ago. It will pull hog prices down to the 12- to 14-cent area by late fall *if* the 10-percent or more boost in the 1958 spring pig crop is realized.

A large corn crop again in 1958 will lay the groundwork for another boost in hog production in 1959. It would give an average hog-corn feeding ratio next fall, even with cheaper hogs. In this case, we *could* have some *really low* hog prices by December of next year.



Cattle

Total cattle numbers on Jan. 1, 1958, probably were a little lower than on the same date a year earlier. Slaughter was heavy last year—though not quite as large as in 1956. The improved forage situation coupled with the stronger prices for grass cattle this fall has created a strong incentive to expand cattle numbers. Thus the downturn in the current cattle cycle isn't likely to run nearly as long as in most past cycles.

The only way that the downturn in cattle numbers can be halted, however, is for cattle slaughter to drop off. Thus, the next few years will be ones of smaller cattle slaughter than the last two.

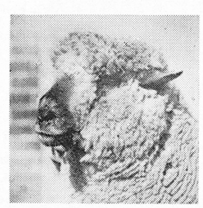
But this doesn't necessarily mean that we'll have fewer fed cattle. For cattle feeders can bid strongly enough to get most of the lower grade cattle—bid them away from the killers. That's what happened last fall. Thus, the supply of fed cattle coming to market in 1958 isn't likely to be any lower, and could be higher, than in 1957. And with lots of cheap feed, the cattle are likely to be fed to heavier weights. Discounts for heavy weight could be a real problem later this winter and spring.

The strong demand for feeder cattle is likely to create a narrow margin between feeder and fat cattle the next few years. So most of the gains from cheaper feed are likely to gravitate to the man who raises the cattle. The beef cow man should fare better than the cattle feeder the next couple of years.

Greatest danger in the 1958 fed cattle market at this time appears to be late this winter and spring. Large numbers of cattle are being wintered on wheat pastures and grain sorghum stubble in the Southwest. And a lot of native cattle will get some grain this winter. Both of these two sources will be suppliers of beef late this winter and early spring. In addition, the heavier weight of yearlings put on feed this past fall points to earlier marketings of these cattle this spring.

It adds up to bunched spring marketings and a real chance of depressed prices for underfinished cattle. At the same time, there may be a penalty for heavy weight on upper grade cattle.

Once we're past this spring market, there should be a normal seasonal advance in fed cattle prices—assuming no substantial change in consumer demand. And in that case, we can look for even higher feeder cattle prices next summer and fall than in 1957. For with average weather, cheap feed prices will be with us again next fall.



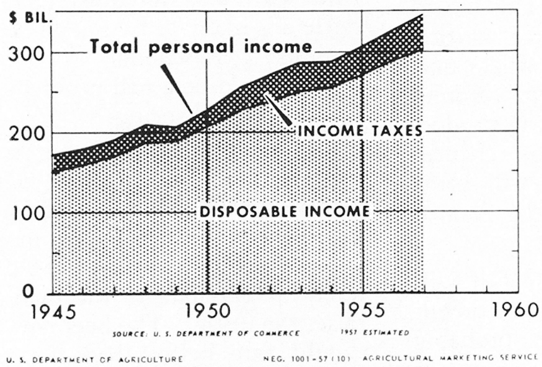
Sheep

Sheep and lamb prices averaged higher in 1957 than in 1956. This is partly the result of continued shrink in numbers—but more the result of the rise in the price of all livestock.

There has been a strong demand

U.S. Market for Farm Products To Continue Strong

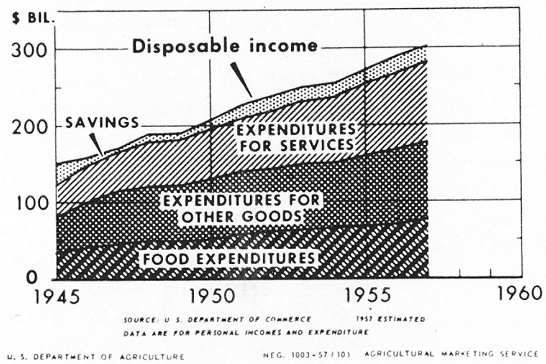
INCOME CLIMBS TO ANOTHER
NEW RECORD IN 1957



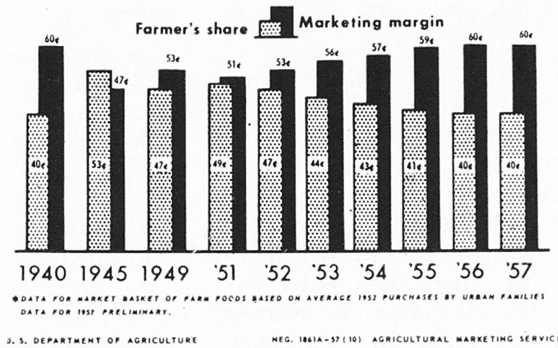
The domestic market for food and other farm products has been strong over the past year and should continue so in 1958. The total income consumers have to spend, after taxes, has been running about 5 percent above a year earlier. Although the population has grown and prices are higher, purchasing power per person is about the same as a year ago. A continued high level of income is expected next year.

Consumer expenditures also have increased this year though spending for durable goods, particularly automobiles and appliances, has not risen significantly. Food spending has gone up at about the same rate as income. As in other recent years, much of the increase in food spending has been absorbed by additional services and the higher costs of services connected with food. The farmer's share of the retail food dollar in 1957 is estimated at 40 cents, the same as last year. This was the first year since 1951 that the farmer's share did not decline.

CONSUMERS AGAIN SPEND ABOUT
FOURTH OF INCOME FOR FOOD

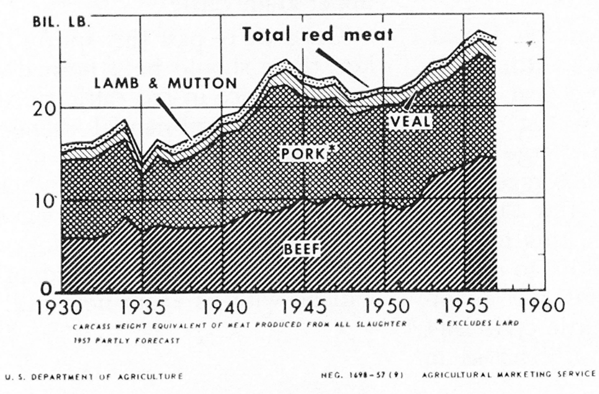


FARM SHARE OF FOOD DOLLAR
HOLDS AT 40 CENTS

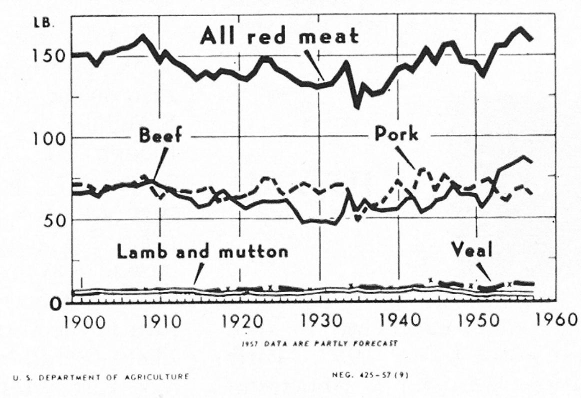


Beef To Hold 1957 Price Gains but Decline Likely for Pork

MEAT OUTPUT DOWN IN 1957
BUT FAR ABOVE AVERAGE



MEAT CONSUMPTION PER
PERSON EASING DOWN

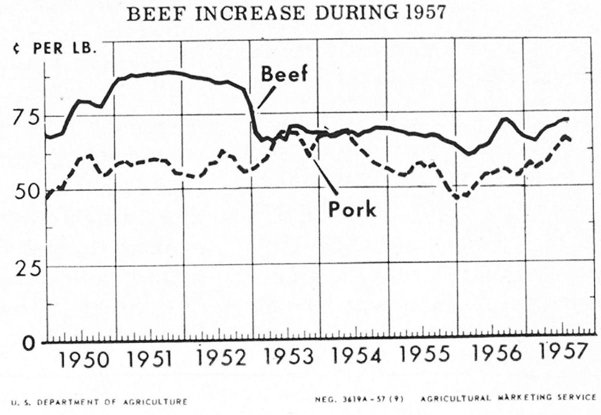


Production of both beef and pork decreased in 1957. Production and consumption of beef were still much above average in 1957, as the decline began from a very high mark in 1956. Pork consumption per person, however, was lower in 1957 than in any year since 1938 except 1954.

Retail prices of both meats increased in 1957. Beef prices remained well below previous highs, but pork prices approached earlier peaks.

Total meat production may not change a great deal in 1958. Beef output will likely be down. Pork output probably will increase a little in the first half and much more in the second half. Retail beef prices accordingly are expected to average a little higher in 1958. Pork prices are likely to be lower, especially in the second half year.

RETAIL PRICES OF PORK, CHOICE
BEEF INCREASE DURING 1957



for ewes this past fall. It could mean the end of the nearly stable sheep population which has held since 1950. Any increase isn't likely to be enough to change the sheep outlook, however. The outlook is for relatively good profits from a well-managed native ewe flock.

The beef outlook is good for the next few years, and sheep generally fare well when cattle do. In addition, the wool incentive payment program will support the returns from wool.

Dairy

Fewer cows, more milk per cow, rising total milk production, more milk than can be sold at market prices and government taking up the balance to support dairy prices. That was the dairy situation in 1957. It's likely to continue to be the situation in 1958.

Since 1952, average dairy production per cow has been rising at the rate of about 2 percent per year. The number of milk cows has been slipping downward since 1944 (except for a brief increase in 1953). Total milk production last year hit 127 billion pounds—up 1.3 billion from 1956. About 5 billion pounds of this was bought by the USDA to support prices.

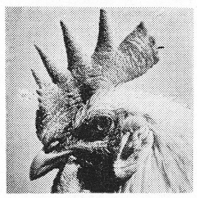
Prospects are for another increase of 1 to 2 billion pounds of milk produced this year. The increase in population will little more than absorb this hike in milk output. With no increase in consumer income likely, this leaves a continued surplus of around 5 billion pounds to be taken off the market by the government for price-support purposes.

A milk surplus at prevailing prices promises to be with us for awhile. So the 1958 dairy outlook boils down to the decision of the Secretary of Agriculture over the level of price supports for the year beginning April 1. Feed costs will average a little lower than in 1957, however.

Some further decrease in the number of dairy cows is likely as the current trends continue. But they'll be the poorer producers. The trend is also to larger, more specialized dairy herds. Milk production per cow also will continue to rise. However, there are enough dairy heifers available to increase milk cow numbers if dairymen desire.

One of the differences in the dairy outlook is the improved beef credit side. Both cull cows and veal calves will sell better than in the last few years because of the reduction in total amount of beef available and also because of the relatively greater decrease in lower grade beef.

This should make the steering of Holstein and Brown Swiss bull calves profitable where a farmer has extra roughage and grain to sell.



Poultry

Things look a lot better in the poultry business this winter than the situation of a year ago. Prices last year were the lowest since the early 1940's.

The big reason for the change in the egg picture lies in lower egg output. Poultrymen took out about a fifth fewer chicks last spring. They didn't cull quite as heavily, and more yearling hens were carried over. The result: Total number of layers on farms Jan. 1, 1958, probably was down around 5 percent.

And, in turn, egg production is down by around that amount. This will hold egg prices above the low levels of last year. Coupled with cheaper feed, this means better egg profits.

This should encourage an increase in the number of chicks bought in the spring of 1958. But some increase is needed just to offset the large number of older hens carried over. And with fewer pullets raised last year, there'll be less opportunity to carry over yearling hens this fall.

The USDA estimates that 15 million more young pullets could be raised this year without creating a net addition to the laying flock a year from now.

Thus, while egg prices may not be quite as good a year from now as this winter, they should continue on the profitable side.

Fewer turkeys are likely to be raised in 1958. The record 1957 crop sold at the lowest prices in 15 years. And a large storage stock of turkey will influence turkey prices in early 1958.

But if the turkey crop is down moderately (5 percent or so) some improvement in turkey prices will prevail next fall. Early indications are that the cut will be mainly in light-breed turkeys and in white-feathered heavy breeds. There's little early sign of any significant cut in bronze turkeys. If this develops later, the 1958 turkey outlook will improve further.

Land Values

Farm land prices have been going up over the Midwest for the last 4 years—despite the drop in farm income. This is the longest two-way trend in land prices and farm income in 45 years of record!

The pressure to enlarge existing farms is one big reason behind the two-way trend. A farmer who needs an extra 80 or 120 acres of cropland to make a more economic-sized unit can bid more than anyone else for land.

Such a farmer looks at the additional cost of working the extra cropland. He sees only fuel, seed and fertilizer costs. In most cases, he has the machinery and labor already available. So the returns to him from buying an extra piece of land to hook onto his present farm are greater than the *average* return from land.

The pressure to enlarge existing farms will continue for several years. Thus the forces which have pushed land values up for the last several years will continue into 1958. But the rise in land values may be a little less.